

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 /020 R

66608

DRAFTED BY: EB: NLPZDRAL:BM

APPROVED BY: EB: JLKATZ, ACTG

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 082957

FOR ASSISTANT SECRETARY ENDERS

FOLL REPEAT TEHRAN 3297 ACTION SECSTATE INFO ABU DHABI, BEIRUT,  
DHAHRAN, DOHA, JIDDA, KUWAIT, LONDON, ZEN/USINT BAGHDAD  
10 APRIL 75:

QUOTE

C O N F I D E N T I A L TEHRAN 3297

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJ: NIOC/CONSORTIUM PRICE ARRANGEMENTS TAKE NEW FLIP; OTHER OIL  
MATTERS

REF: TEHRAN 2482

1. DEPUTY CONSORTIUM REPRESENTATIVE WILLMAN CALLED AT THE EMBASSY  
APRIL 8, TO SAY NIOC HAS ONCE AGAIN CHANGED ITS MIND ON CONSORTIUM  
PRICING ARRANGEMENTS. NIOC DIRECTOR OF INTERNATIONAL AFFAIRS MINA  
TOLD WILLMAN NIOC HAD SENT CABLE TO CONSORTIUM IN LONDON TO "INFORM  
MEMBERS OF CANCELLATION OF ADDITIONAL 25 DAY CREDIT PREVIOUSLY  
AGREED (AS REPORTED REFTTEL). CABLE SAID, HOWEVER, THAT NIOC WILL  
ABSORB 94 PERCENT OF ANY INCREASES IN PRODUCTION COSTS BEYOND 12  
CENTS PER BARREL FIGURE USED IN DECEMBER OPEC MEETING. THIS WILL  
REDUCE PRICE TO CONSORTIUM MEMBERS BY ALMOST 4 CENTS PER BARREL  
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THUS BRINGING NIOC'S PRICE FORMULA VIRTUALLY INTO LINE WITH REST OF

GULF. AT LAST REPORT (LATE AFTERNOON APRIL 9) MEMBERS HAD NOT DECIDED WHETHER THIS NEW NIOC POSITION ACCEPTABLE TO THEM. WE AND WILLMAN BELIEVE MEMBERS WILL HAVE NO PROBLEMS WITH NIOC'S LATEST VIEWS.

2. WILLMAN HAD COME IN APRIL 7 TO INFORM US THAT MEMBERS HAD BEEN IN TOWN TO DISCUSS BUDGET FOR CAPITAL INVESTMENT PROGRAM IN KHUZ-ESTAN FIELDS WITH NIOC. BEFORE BUDGET TALKS BEGAN, MEMBERS ASKED FOR SMALL MEETING WITH MINA AND EGHBAL ONLY. IN SMALL MEETING MEMBERS WARNED THAT THEY WILL NOT REPEAT NOT BE ABLE TO CONTINUE TO PROVIDE 40 PERCENT OF CAPITAL INVESTMENT AT PRESENT PER BARREL MARGIN. MINA AND EGHBAL REACTED MILDLY. EGHBAL SIMPLY ASKED FOR PRICE OF PAPER FROM COMPANIES TO TAKE TO SHAH ON APRIL 9. MEMBERS REPLIED THEY WOULD BE UNABLE TO PREPARE PAPER IN TIME FOR EGHBAL'S APRIL 9 AUDIENCE. MINA LATER TOLD MEMBERS THAT THEIR UNWILLINGNESS TO CONTINUE TO PROVIDE CAPITAL WAS "NO BIG SURPRISE." MINA AND EGHBAL COMMENTED THAT EXISTING NIOC/CONSORTIUM AGREEMENT CLEARLY NEEDS OVERHAUL, BUT THIS CAN AWAIT "FURTHER DEVELOPMENTS."

3. MINA ALSO COMMENTED DURING SMALL MEETING THAT OPEC ECONOMIC COMMISSION WAS MEETING "YESTERDAY AND TODAY" (APRIL 5 AND 6) IN VIENNA TO DISCUSS (AMONG OTHER THINGS) SULPHUR, GRAVITY AND FREIGHT PREMIUMS AND THAT OPEC HOPED TO HAVE NEW SYSTEM SOON. IN BUDGET MEETING, MEMBERS UNANIMOUSLY TOLD NIOC AND OSCO THAT OSCO WOULD NOT BE ABLE TO MEET TARGETS IN FIVE-YEAR BUDGET PLAN, IN SENSE THAT CAPACITY EXPANSION AND SECONDARY RECOVERY PROJECTS WILL SOON FALL MONTHS BEHIND SCHEDULE.

4. ON APRIL 8 MINA CALLED WILLMAN TO ASK FOR INFO ON REPORTED SAUDI/ARAMCO SETTLEMENT, AND HINTED SHAH HAD RECEIVED INFORMATION THAT AGREEMENT HAD BEEN REACHED. WILLMAN QUERIED MEMBERS IN LONDON, WHO REPLIED THERE HAD BEEN NO RECENT MOVEMENT IN SAUDI/ARAMCO NEGOTIATIONS. MINA APPARENTLY ACCEPTED WILLMAN'S ASSURANCES THAT NOTHING HAS HAPPENED.

HELMS UNQUOTE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DISPUTE SETTLEMENT, PETROLEUM, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GarlanWA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE082957  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** EB: NLP AZDRAL:BM  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750127-0515  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750457/aaaacaym.tel  
**Line Count:** 98  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 TEHRAN 2482  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GarlanWA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 APR 2003 by ShawDG>; APPROVED <08 SEP 2003 by GarlanWA>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NIOC/CONSORTIUM PRICE ARRANGEMENTS TAKE NEW FLIP; OTHER OIL MATTERS  
**TAGS:** ENRG, IR  
**To:** PARIS  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006